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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4864  
INFO RUCNSAD/SOUTHERN AF DEV COMMUNITY COLLECTIVE  
RUEHNR/AMEMBASSY NAIROBI 0402  
RUEHFR/AMEMBASSY PARIS 0913  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHLMC/MILLENNIUM CHALLENGE CORP  
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C O N F I D E N T I A L SECTION 01 OF 02 ANTANANARIVO 000522

SIPDIS

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DEPT FOR AF/EPS AND AF/E - MBEYZEROV  
DEPT PASS TO USTR FOR PCOLEMAN  
NAIROBI FOR SCO  
JOHANNESBURG FOR SCO  
PARIS FOR D'ELIA  
USDOC FOR BERKU

E.O. 12958: DECL: 05/31/2017  
TAGS: [EINV](#) [ETRD](#) [ECON](#) [KTDB](#) [PGOV](#) [PREL](#) [MA](#)  
SUBJECT: MIXED SIGNALS TO SEABOARD IN MADAGASCAR

REF: A. ANTAN 0426  
[1](#)B. 06 ANTAN 1291

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Classified By: AMBASSADOR JAMES D. MCGEE FOR REASONS 1.4 B, D

[1](#)1. (C) SUMMARY: Tamatave Port Director Pierrot Botozaza kept U.S. Seaboard Corporation representatives waiting for 12 hours on May 25 for scheduled negotiations to renew its lease on silos at the Port (Reftels). When the Port's lawyers finally met with Seaboard, they insisted an application for a new lease must be completed before a new agreement could be negotiated, reneging on Botozaza's April 27 promise. Botozaza also sent a message to Seaboard's Lopes, "stop involving the U.S. Embassy." When informed May 29, Prime Minister Lt.-General Charles Rabemananjara told the Ambassador, "I have no faith in Botozaza," and promised to look into it. On May 31, following a very stern message from the Ambassador to the President's Chief of Staff, President Marc Ravalomanana assured the Ambassador the problem was "solved." END SUMMARY.

Tamatave Port Director Tries to Intimidate U.S. Embassy  
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[1](#)2. (SBU) For over a year, Seaboard Corporation has imported and milled wheat into flour for sale in Madagascar in partnership with local firm KOBAMA. The enterprise, "Madagascar Mills" (Les Moulins de Madagascar) operates silos at the Port of Tamatave under a lease that is due to expire in November. Since entering the market, Seaboard has sought negotiations to extend the silos lease as a necessity to maintain their business. Port and Ministry of Transportation officials have been slow to respond to Seaboard's request for communication, information, and discussions of a new lease. First in September 2006, and again April 27, Port Director Botozaza promised Seaboard and the Embassy that he would consider a new lease arrangement; culminating finally in a confirmed meeting May 25 to negotiate and sign a new lease.

[1](#)3. (SBU) Arriving at the Port May 25 at 0800, Seaboard's Lopes and his legal counsel were told Botozaza was unavailable and his instructions were needed. This delay continued through the day into the evening. The Ambassador spoke to Minister of Transportation Julien LaPorte, who

sounded surprised and said he would call Botozaza. PolEcon Chief also called Botozaza directly, who claimed to be "sick" and asked why no one had called him. When PolEcon Chief asked why he had stood up a U.S. company at a meeting he had agreed to, Botozaza asked angrily, "Why is the U.S. Embassy intervening?" When PolEcon Chief replied the U.S. Mission has a right and a responsibility to seek fair treatment for U.S. enterprises, Botozaza backed off and offered more excuses. Later that evening, according to Lopes, when Botozaza's lawyers finally arrived they said talks would have to start from scratch, to evaluate if Seaboard could apply for a silos lease. The new requirements, including detailed engineering plans and an environmental impact statement, reneged on Botozaza's signed April 27 promise to negotiate a new lease. Botozaza also sent a message to Seaboard, "stop involving the U.S. Embassy."

What Next For Seaboard?

14. (SBU) Back on April 27, the Ambassador saw Prime Minister Rabemananjara and Transportation Minister LaPorte who quipped, "I hope you are satisfied," indicating the agreement between the Tamatave Port and Seaboard that came later the same day. Port Director Botozaza signed minutes of that meeting, which confirmed the Port's intention to extend Seaboard's lease, leaving only terms and conditions to be negotiated. At that point, it appeared the Government and the Port Administration had finally accepted the need to negotiate in good faith with a U.S. firm investing in Madagascar. Several Ministers and Presidential advisors seemed to accept the argument that the perception of corruption would be very damaging to Madagascar if Seaboard were forced out of the market to provide a monopoly for TIKO, the President's company.

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Prime Minister Rabemananjara

15. (C) Ambassador reiterated to Prime Minister Rabemananjara May 29 the points that official U.S. assistance does not "buy" capitulation to Seaboard's demands. However, the Mission insists on communication, fair treatment of U.S. companies, and a level playing field. Prime Minister Rabemananjara seemed totally surprised by the turn of events, adding "I have no faith in Botozaza." He promised to look into the case and get back to the Ambassador immediately.

President Ravalomanana

16. (C) Hearing nothing further from the Prime Minister, on May 31 - just an hour before his farewell call on the President - the Ambassador spoke candidly with Ivo Razafimahefa, the President's Chief of Staff. With regret, but great clarity, the Ambassador said 18 months of frustration in the Seaboard case has led us to conclude that U.S. firms do not receive fair treatment in Madagascar - at least not if they compete with TIKO. The message seems to have reached the President. In the subsequent farewell call, Ravalomanana raised the Seaboard issue preemptively, saying that it had now been "resolved."

COMMENT

17. (C) If the Port does not extend Seaboard's lease by November, this U.S. enterprise will be significantly disadvantaged and will probably be forced out of the Madagascar market. The result will be a wheat monopoly for TIKO, which has a new mill coming on line in June. The President's personal 11th hour reassurance may signal a resolution of this issue - or an effort to push the problem into the future, to land on the plate of the next U.S.

Ambassador. We will see. To date, despite several promises to the contrary, the GOM has done nothing to counter the overwhelming perception that unfair and corrupt practices are conferring advantages on President Ravalomanana's company at the expense of an American company. END COMMENT.

McGEE